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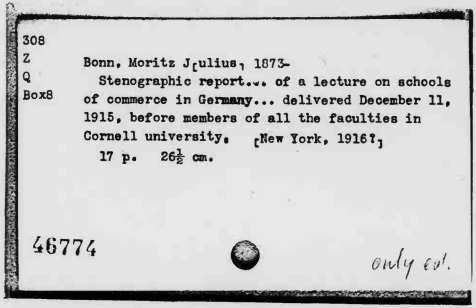
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Prof. E. R. A. Seligman

Stenographic Report

(Substantially Complete)

OF A

Lecture on

Schools of Commerce in Germany

BY

Dr. Moritz J. Bonn, Professor of Economics in the University of Munich, and Lecturer in 1915 on the Jacob H. Schiff Foundation at Cornell University

Delivered December 11, 1915, before members of all the Faculties in Cornell University

SCHOOLS OF COMMERCE IN GERMANY

When a person has to talk on some subject in a foreign university, it is well, as a rule, only to talk about matters that are not of any practical importance to the country he is in, or he might be credited with having missionary tendencies. From this point of view, I might have preferred more to talk to you, if I did not know that you had in mind the erection of a College of Commerce. But, as President Schurman asked me to give you, I won't say the benefit of our experience, for that would seem that I expected you to benefit by it, but to endeavor to tell you what we have done, and why and how we have done it, I am delighted to give you the information at my disposal.

As I am a part of this movement in Germany, I shall have to restrain my natural modesty somewhat and speak about things which I have done, not because I feel that I have done them better than anyone else, but because I feel that I can give you more facts about the things that I have actually done and know about. I know what our problems have been and how we have attempted to solve them. I am more familiar with the situation in Munich, as I am connected with the Commercial University there. As this is one of the later commercial universities in Germany, we have profited by the experience of some of the others to a certain extent. Now, I think anyone can realize our problems, if they will look at the great change in German industrial life in the past few years. The great need that has been felt for industrial education is due more or less to the fact that in the last twenty-five years the small establishments have lost out in Germany. About thirty years

ago only about a third of the people employed in industries and commerce were in big establishments. Sixty per cent of the people were in small establishments employing a maximum of five people. At the present time the change has been complete, and you might almost say that the figures have been reversed. All this had a very important bearing on our education. In the olden days the education of the boy for the business man was that he went to a preparatory school for three years, after which he had another six years of schooling. Entering school at six years of age, he would be about fifteen or sixteen when he finished his education. Then he was apprenticed out to somebody who would be his master for between two and four years. During this time he was supposed to pick up all tricks of the business from licking stamps and running around on errands, to the complete affairs handled by the concern. Taking it from the point of view of the average business man, this education from a commercial point was not bad. The general education which people got at school was good enough so far as securing information went, not only did it provide the people with information, but created a thirst for further information and the acquiring of knowledge for itself. The general education of the German business man fifty years ago was higher somewhat than the average education of the British merchant. Viewing the terrible loss of human life and wealth which accompanied the industrial revolution in England, we can only look upon it with a feeling of unmixed horror.

A great many of our people in small circumstances have a very lively interest in all questions outside of business. In some of the very small German municipalities they have a theatre in which not only fine pieces are staged, but the classics of all the world are produced and listened to by this class of people. Sometimes, of course,

they are produced by second and third rate actors, but the fact that they are attended proves that the people have a real yearning for information other than just merely business.

In many ways the education of the business man was sufficient to enable him to get on in business and at the same time to play a strong part in the general life of the community in which he lived. But things have changed completely. A young man who is sent into a banking establishment today will be lucky indeed if he learns very much. Our large banking establishments, employing about five thousand people are not the place for a boy to pick up very much information. In fact he is sent into a department where perhaps he goes on errands, licks the postage stamps, etc., and no matter how well he does his work, he has very little opportunity for advancement or to learn much about the complete affairs of the concern. In fact, if he asks questions and wants to know the reason for things, somebody must give him an answer, and he is apt to be looked upon as something to be avoided. Even if he has ambition and desires to learn, those holding responsible positions do not have a great interest in doing much for him. So long as he does his work well, he is liked, but if he doesn't, then it is easy enough to get it done by somebody else.

Of course many of the things necessary in business can be taught; reading, writing and arithmetic, accounting, striking off balances, etc. These can all be drilled into a fellow, just as well as geography, history, etc. They even went so far in Austrian schools that they taught business accounting, banking, etc., and ran a kind of fictitious banking house, and did all the things as they are done in business. The success was not very great, however. It takes a lot of imagination to furnish a sufficient number of practical business cases. The man

who is a good accountant and a good bookkeeper is not blessed as a rule with any too much imagination. The man with much imagination goes in for writing fiction, but not for organizing imaginary business transactions. Of course, one could learn a great deal in this way about the theory of banking, but it is not very practical. In modern times in Germany, owing to the great economic changes that have taken place, the responsibility of the business man is quite different from what it was before when he was the head of a small bank where he had very little business responsibility. The head of a bank with fifty or sixty million dollars capital, having six thousand employees, with branches all over the world, must be an organizer and a thoroughly trained business man. He is like the Hamburg-American Line, whose motto is "My field is the world." In this capacity you couldn't use a man of ordinary qualities, if he was merely taught the ordinary things which were taught to men years ago. Business is now much more a question of organization than it has ever been before. Some men are born organizers, but even the born organizer has to learn many things.

Another difficulty is our legislature. It became very greatly involved in business. The idea which has always been understood in Germany is that big business means big officers. The business man is a kind of official of the commonwealth. The relation between business men and the commonwealth in the past few years has become much more intimate. One can easily realize the changes in this field by a study of the big system of German social legislation. It is easy enough to get hold of men who are able to understand the statutes, but statutes have to be made, and it is of very great importance to the business man if his voice is heard in making the statutes. So you see he must not only know his business,

and its connection with other business and with the nation at large, but he must understand the laws governing his business and be capable of expressing his position. He must be able to mingle with people of education. As a matter of fact, all of our best intellects go into the service of the State. The men who run the government are men of excellent education. Unless the business man of today is able to cope with men of greater education, and has a thorough understanding of the laws governing the line of business he is in, he appears at a great disadvantage in attempting to express his position.

I have heard it said very often in German circles, that it is a lamentable state of affairs that we have certain men at the head of the Chambers of Commerce, who are very influential, but there are many things they cannot do. They cannot write a good report, they cannot deliver a speech unless it is prepared by someone else, and they are not thoroughly familiar with the principles and organization of business and of government. This difficulty has often been overcome by the Chamber of Commerce employing a secretary who is a man of excellent education and very brilliant, having, as you say, the gift of gab. We have had some very excellent results in this way.

Another difficulty arises in German technical and engineering circles. In a great part of German industry the technical workers are fitted for their positions at the technical high schools where they are turned out as first class engineers. They may be first class engineers and fine business men, but the making of goods is very different from selling them, and to find the market for one little machine is quite different from making it. The engineer and chemist employed by a concern may be much better educated men than the one running the business, but the last phase of the business must be in

the control of the merchant, the business man. Very often the man in charge knows what is the right thing to do, but he cannot express it. He does not know how to talk. He may know all about how to build machinery, but he isn't a business man. I remember one of our big electrical concerns was practically wrecked by being run by a genius of an engineer, whose education and ability in his line were first class, but who did not realize that making machinery was not the ultimate object of a commercial concern.

On all sides there were problems confronting the business people, and they began to realize that the solution of them would only come through better business education. The bankers realized it first. At the same time some of the big steel and iron concerns realized it. In big steel and iron concerns such as we have in Germany, problems of organization are much more important than problems of marketing. Some of the very best government officials have been taken over by private concerns to help solve these questions of organization. The Political Economy Department of the Munich University in the last few years has turned out at least a dozen bankers. The present Chancellor of the Exchequer is by training a political economist. He started to be a professor, then he was taken up by the government, then the biggest bank there got hold of him, and he landed after that as Chancellor of the Exchequer. Now I do not mean to imply that the Department of Political Economy at Munich has the habit of turning out Chancellors of the Exchequer every day.

There was one thing that the people understood—that for bigger business you needed a bigger education. The problem was where to get it. Could it be obtained at the universities?

From a practical point of view there was much grave objection to the German Universities. The ideal of the university is research. I am not going to say that we are better than other people and live up to our ideals entirely. We cannot afford to live in a theoretical idealistic atmosphere. Our universities are supported by the state, and the state wants something in return. So the universities have turned out state officials. Our universities don't train men merely for state officials, or civil servants, but lecturers as well, teachers for the higher German schools, veterinary men who go in for state employment, theologians, etc. All sorts of people attend our universities. Wherever we give vocational instruction we give it from the point of view that we want our pupils not only to get knowledge, but we want to teach them how to think and to acquire knowledge for themselves. As a matter of fact, our universities today are thoroughly non-utilitarian, and I personally hope they will remain so. That is one of the reasons why when the technical high schools were started they had to be built up separately from the universities, for they could not be in the same way non-utilitarian. They do not start as the universities do with education for service of the public, but they teach education for all branches of life. We have seen in the development of the technical high school that the non-utilitarian character of the university was as an obstacle to co-operation. You could not expect business men to take a different light. They felt, and this feeling exists among many business men of the world, that there is too much theory in the universities. Things you can refute are theories; things which you can prove are facts.

Supposing a man has built up a big business, and has a son whom he desires to have continue that business, and wants to give him a good all around education for it.

He sends him to the university to be trained and you cannot expect him to think very much of the university when the boy returns after three, or four years and says: "I am not going to work in your shop. I am going to become an official of the government." Or, "I am going into some sort of research work." These are some of the difficulties between business men and the universities.

We insist that the people who go to the university must have twelve years education taking it all combined. They are about eighteen or nineteen years old when they are qualified to enter the university. The business men maintain that it would not be a good thing if a boy was brought in touch with business after his university education, as he would then be too old to pick up any useful tricks. They even say that nineteen years is too old for picking up the apprentice tricks. They prefer to get them after they have qualified for service one year in the army, when they are about sixteen years old. It might be possible to make special arrangements for study of commercial affairs and let them into the universities at sixteen, but the general attitude was that this would not be wise for if we allowed it for students of commercial subjects we would have to allow it for other things. A great many people can go to the technical high schools who are not fitted for the universities. There are other important reasons why the commercial colleges should not be attached to the technical high school. The basis for teaching there is natural science. This is by no means a very good general basis for teaching business, on the one side, and on the other side the general civic duties which are taught in our universities. Beside this we have a certain antagonism in German business life between the industrial people and our mercantile class, bankers, merchants, etc. Or in other words, there is an antagonism between commerce and industry. The technical education of industry being built on a natural science basis, it was quite clear that with the existing antagonism, the commercial school should be somewhere else. We had an example of this in one place where they had a commercial branch of the technical high school, and the result was an attendance of only about eight or nine pupils.

Now, what is business and how should we teach it? There are undoubtedly many things connected with business which cannot be taught, but certain elements in business can be taught. They can be taught scientific training in the fundamental principles of business organization and administration. A broad foundation may be laid for intelligently directed activity in commerce or manufacturing, or those specialized branches of modern business which now particularly call for trained men, such as accounting, railroading, banking, insurance, etc. A really good business man is a man who understands a certain business situation. He is a better business man if he has the gift of acting in that situation. He is a genius if he can bring about that situation. We cannot teach people to do that. In some ways the problem is much like the problem in military schools. In a military university you cannot teach a man to be a great general or to fight a victorious battle, but there are certain fundamental principles which can be taught, certain rules, certain routine business. But there is always a tendency to think that the man who has learned the routine, who knows it well, is a completely turned out product. The essence of all business strife is the element of risk. You cannot do away with it. In modern times conservation in business takes more than a mere commercial education.

Before establishing our Schools of Commerce we went into the matter very carefully. We realized the element of risk, but all agreed that it would be much better to have it run as a privately endowed institution, than to

have it financed by the government. If public money is provided for a new institution, the money has to be spent in accordance with certain rules, and every Member of Parliament has a right to talk as to how the money shall be spent. A great many Members of Parliament are business men and we realized that there would be a great deal of talk. The result is that practically all German colleges of Commerce are private schools, run by big endowments of business men; some are financed by municipalities and Chambers of Commerce. For the first time in Germany education was started on a private basis in institutions ranking as universities. Of course there is a certain amount of consideration given to the government, and we work continually hand in hand with the government authorities. I might say that we tell them what we have done, but we do not ask them about what we are going to do. So if any Member raises a question in Parliament as to what we are doing and the way we are doing it, the Secretary of Education simply gets up and says: "I am very sorry, gentlemen, but it is not your money that is being spent", and that is all there is to it.

We developed three types of these schools. The first type was started in Leipzig, where they run a commercial branch in combination with the university. It drills them in double accounting, how to strike balances, a little commercial law, how a bill of exchange looks, etc. It was an excellent school of its kind and did a great deal of good work. Many boys were sent to Leipzig to be taught the German system of keeping accounts. All the students in the Commercial School were allowed certain instruction in the University, and those in the University were allowed instruction in the Commercial School. This was a fine thing, perhaps, for many of the boys, for it gave them the privilege of being connected with the university by being enrolled in the commercial school.

The second type was in Cologne. A very rich man in Cologne died and left a great deal of money to be devoted to a commercial school. Cologne is a rich city, many of the people there are in the steel and iron industry and they have lots of money. The idea was to start an institution which would be called a commercial university, but which would be much more. It was to be a kind of university chiefly erected for business people. It tried in many ways to be like a university. Many things were taught which had little to do with the education of business people. For example, instruction in English was given by a first-class fellow who knew a great deal about Shakespeare and the early English poets, but who would be greatly at a disadvantage if he tried to write a business letter in good English. They tried to teach business in the same way that science is taught in a university.

The same way was followed by the people in Berlin. A large corporation in the Stock Exchange wanted to do something great for mankind and also to commemorate their own service, so they subscribed a big fund to erect a beautiful building, which was to be used as a school of commerce. A most brilliant man was called to fill the chair at the head of the institution. He was a man who would be a very fine ornament to any first-class university, but who knew little about commerce, business and practical questions. They called all sorts of people for instructors who were wonderful scholars, but who were not of very much assistance in solving practical business questions. Among them I remember they called a man who was a marvel at solving theoretical problems, how to measure the interior of the earth, etc., etc., but who was not of any very practical assistance to any future Captain of Industry. Besides if a student wants that sort of thing, he can get it at the university, which was next

door. They started with the idea that they could only give to business people what they wanted to give them by creating an organization just like the university.

At the institution in Munich we took a different course. We didn't do it absolutely from wisdom, perhaps, but more properly from necessity. We didn't have as much money as the others had. I have often thought that the absence of money in a university is by no means a great drawback, for you then devote your attention to the more serious problems, the things of vital issue, and do not waste money and time on theoretical problems, when you haven't the money to waste. Our idea was to create a commercial college based on a departmental idea.

In Germany there is great antagonism between the business people and the universities. The business people feel that their sons do not get the proper education to be of assistance to them in their business by attending the universities. In former years the boys became apprentices and grew up with the business, but in doing this they were apt to become men of routine, who lacked the initiative to take large responsibilities, such as are required of the successful business manager. They are so busy with business that they have no time for the broader study that would be of great practical value to them.

Now, as you see, we have the three types of commercial school. The institution at Leipzig, which is simply a combination course, the institutions at Berlin and Cologne, which tried to be universities, and the one at Munich, which tried to do departmental work in a university spirit.

We had many problems to face, and among others the question of organization arose. Were we going to follow the old organization of the German Universities? The German universities elect a faculty head for only one

year, and in some instances two years. It was our idea that no institution would ever get ahead which continued this method of electing a head, and that something new had to be done. We did not believe in injecting politics into an institution where no political objects were at stake, and where it was merely a question of business efficiency. No business can be taught by merely talking, or by having a kind of theoretical debates of the problems and questions. They can only be taught with a certain amount of routine. We have continually to do something to make a good showing as we are dependent upon Trustees and people for financial aid. Plenty of people are willing to put in their money, and also to furnish ideas—a great many of which we could not carry out. There are many problems to solve between Trustees and Faculty.

In Munich we co-operate with the University and Technical High Schools to a very great degree. Outside of Commercial Science, practically every professor on my staff is attached to the faculty of the university and technical high school. We have succeeded in establishing a true university spirit. We aim not only to teach them business, but to train them to be citizens of the highest type.

There is great feeling in Germany between men in the universities and men in commerce. For instance, take my own case. It is sometimes difficult for them to consider me as one of their colleagues, and treat me as a university man, as they look upon me as somewhat inferior when I go to my office. We have yet to overcome many difficulties.

We employ regular professors, assistant professors, and instructors; also some high government officials and heads of big business concerns give us the benefit of their experience. Our experiences are very mixed. We find that few business people are first-class teachers. The

majority of them are willing to give us some information, but they keep back oftentimes the more essential facts. Yet co-operation with the business man has been excellent, although the student is unable to learn as much as we might wish.

The students consist of two classes:—first, the student who has been for two years a general clerk, and second, the student who had the right to serve but one year in the army, has passed an examination, and gone into business for two years. I cannot give you any statistical facts about these boys, as I left my notes at home. This proves, I think, that I am not on a missionary trip. I can only tell you, therefore, what I remember.

Before entering the Commercial School, the boys are expected to have two years of training as clerks, or in business in some capacity. If there is one maxim more than another on which practically the whole structure of commercial education rests in Germany, it is that some practical training in actual commercial work shall precede the school training. We look the boys up very carefully and often call upon the Chamber of Commerce for information. We are not very rigid in this rule when we find that a good student was an apprentice in a shop only a year or perhaps three-quarters of a year. Sometimes we find a student who has been an apprentice three or four years and has learned nothing, while others learn a great deal in a year. A great deal depends upon the boy. Our students at eighteen years of age have been, as a rule, for two years in business and have had a good general education. Some of the students which we have go into business as clerks and having gained some knowledge of the business they desire to follow, come back to us to do some studying along that line. Not all of our students take examinations; some of them study for the examination, while others care only for certain

courses that will help them to get on in their particular business. Some of them come to us, perhaps, to be trained for a year in Political Economy. They know what they want and go about getting it.

The regular students have to stay with us two years, four terms, which we consider too short a time. We would like to make it three years, with six terms.

In Berlin and Cologne they have spent so much money on fine buildings, that they think they have to insist upon a great number of students. If they do not, the people putting up the capital will think they have made a poor investment.

We first teach Commercial Science. Perhaps we should not call it science, although it is undoubtedly of a scientific nature. We teach them the real problems in accounting, striking balances, questions of industrial organization, and a good deal, too, of mere routine work.

We teach Political Economy, and Commercial Law, and Industrial Law. Business practice is so closely related with law that it is advisable and even necessary that students of business have some acquaintance with this essential feature. They do not need to have a knowledge of legal procedure and other matters which are called the machinery of the law, but they do require a working knowledge of the laws that have direct application to the conduct of their business. Legal training cultivates qualities that are directly useful in solving problems of a purely business character. They learn the ability to analyze and to state clearly and concisely the facts of a complicated business situation. We aim to teach the students to apply general principles and to think for themselves.

We require the study of one language. The student can choose English or French. We assume that he has gotten a secondary school education in the subject he

has elected, and we are not concerned with teaching grammar.

We teach them geography and a good many elective branches which they can pick up if they like. We have examinations, partly written and partly oral. Written examinations consist of two or three hours of political economy and commercial science.

We aim to give thorough and complete instruction in the fundamental principles of business organization and administration, and to present such a range of elective courses that each student may receive the instruction that will fit him for the business career he proposes to enter.

We have complete liberty of attendance among the students. Whether they come or not, it is up to themselves. Our idea is not only to give them information, but we want to train their minds to work for themselves. The figures show that every year we get a greater number of students. In looking about us and studying the situation we find a great many of our former students holding responsible positions.

Good business men are really born; you cannot make a man a first class leader of business if he hasn't got it in him. You can, no doubt, teach men a good many things that will be helpful to them, but we do not want to train the small clerk who will remain all his life a small clerk. For him to spend his time and energy with us would be a waste of money. No university can make a wise man of a fool, and also no university can make a fool of a wise man. We take as a definite stand that we want to teach the students to draw out what is in them, to develop their own qualities, to make them leaders in business, and we try to teach them all the practical tricks of the trade, and to give them general instruction in what is essential in all classes of business.

We endeavor to teach them that we live in a community, the welfare of which depends upon the action of its individuals, and that what tends to help the individual will help the country at large, and when they serve their own interests they serve the interest of the public as well. We try to make the students feel responsible for their own actions. We are trying to teach the spirit of cooperation, and this is the spirit that prevails throughout Germany to-day. If it were not so, Germany could not have faced the great crisis which she has been facing for the past year and a half.

I think if you know anything about Germany, you will agree that we have started on the right track. There is much yet to be done, and none realize it better than we, but we do feel that we have taken a step in the right direction. Whether that direction may be good for the other nations is not a question for me to decide.

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